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OPENING STATEMENT

ON THE 1955 BUDGET PRESENTATION TO THE BUREAU OF THE BUDGET

11-22-78

GENERAL BACKGROUND

As you gentlemen know, we have specific functions to perform under the provisions of the National Security Act and such other functions and duties that the National Security Council may assign to this Agency from time to time. This Agency is charged with carrying out the responsibilities involved in two broad functions, namely, Intelligence and Cold War operations. Thus, we expend approximately half of our effort in collecting and analyzing information concerning activities that may be injurious to our national security, and the other half of our efforts towards cold war aspects of hampering or destroying those dangers.

CIA is Not Comparable to Other Government Agencies.

Many normal government operations can be evaluated in terms of cost and the visible benefits derived therefrom. This evaluation is best made by relating the reaction of the public receiving and observing the benefits, and the costs to furnish those benefits. However, such is not the case for the programs conducted by CIA. The very nature of our objectives and the methods that must be used to achieve those objectives demand the utmost secrecy of all of us to protect national security.

Further, since the element of security is of such paramount importance, precautions must be taken that may involve costs that would not otherwise be involved in a normal government operation. For example, the launching of certain cold war activities involves such difficult problems that preparatory costs may be incurred simply in cooking up elaborate devices to avoid tipping the U.S. hand. Furthermore, keeping in mind the ultimate objectives of protecting this country from potential threats, we must be prepared to meet conditions and opportunities as they arise. These preparations often involve long lead times. ^(Recent Success) In many instances, we must resort to a manner of handling our funds that is not normally practiced by most governmental units, namely, the expenditure of a considerable portion of our funds on an unvouchered basis to avoid disclosure of information that would be detrimental to the national security.

However, I would like to point out that it is the policy of the Agency to make expenditures on a vouchered basis to the maximum extent possible considering the security aspects of the specific operation. The Director and I personally give a great deal of attention to policing this policy.

Examination will show that the Agency spends more money on the vouchered basis than is originally budgeted and less on the unvouchered basis.

Fiscal Year 1954 Operating Problems.

Since achieving our objectives depends upon many factors beyond the control of this Agency and, in fact, of the country, you have realized that the problem of precise budgeting is very difficult. Further, carrying out a particular objective may cost not only a great deal more than would normally be expected due to the security problems involved but even much more than we anticipated. This combination of factors causes many severe operating problems in carrying out our functions under the tight budget situation we have this year. In the first place, we have an operating funds limitation that places restrictions on many phases of our program which could be very detrimental to the accomplishments of the requirements placed on the Agency. For example, incomplete analysis of available intelligence data might cause an oversight of pertinent facts which could lead to poor decisions. Funds limitation has tended to destroy the degree of flexibility that is necessary for satisfactory operations. Because of the limitations, the

allocation of funds to the various operating offices has been held to the minimum necessary to meet known activities. Such allocations naturally become fixed commitments on which offices plan and carry out programs and reduce the over-all flexibility that is generally needed to meet whatever situation arises.

Another problem area is that created by our personnel ceiling. The satisfactory handling of activities such as those we are engaged in, requires the availability and utilization of qualified personnel in all fields of activities. Because of the unique qualifications needed, the time and cost of clearing and getting personnel on duty, and other related problems, it is essential that adequate allowances be available to permit maximum utilization of available sources of specialized personnel, and at the same time to retain knowledgeable personnel. Personnel ceilings, like funds, must be apportioned among the various offices and thereby further restricts the flexibility of program operations that is so essential to the ultimate achievement of our objectives.

Faced with fund and personnel limitations, we have endeavored to set up a priority system on our

activities, and we believe that we have selected for immediate performance, those programs that would furnish the most benefit to the national security. The administrative decisions required in establishing priorities have not been easy. I think that you gentlemen can see the difficulty involved in trying to evaluate which intelligence or cold war activities should be undertaken, continued, or abolished. For example, when an apparatus has been established and is actually producing results, is it practical to drop the operation even though it would mean carrying out another operation which might be of somewhat higher priority *at the moment?* Further, it is not possible to predict that the higher priority assignment could be accomplished until the mechanics for carrying it out is successfully established. In this business we have to go up many blind alleys.

The Outlook for Fiscal Year 1955

This Agency like other government agencies, had no choice as to the amount of funds that could be included in the regular budget for operations in fiscal year 1955. We were given our over-all 1955 budget allowance at the same level as the 1954 appropriation. Operationally, however, there must

be further restriction because of two factors. First, certain costs will naturally go up; for example, salaries paid to personnel must increase to provide for the within grade promotion required by law. Second, certain clandestine operations have been developed during 1953 and 1954 which cannot be carried out at the originally planned level during 1954, but which must be financed at an increased level in 1955 in order to be fully acceptable. Failure to do so could retard or completely nullify the entire operation. It should be noted that government interest in many of these operations is not known, and changes cannot be announced as being based on restrictions in appropriations. With this outlook we have made program decisions on the basis that the general international situation will not change substantially. Because of this, I feel that it is necessary to stress the point that a contingency reserve must continue to be made available for providing additional funds and personnel, if and when emergency situations arise.

The operating program is so tight and inflexible, that we feel it necessary to present to you in addition to our regular budget submission, a request for supplemental funds in the amount of

25X1A1A

for fiscal year 55. This supplemental budget, which will be explained in more detail at later sessions, is primarily designed to permit us to perform those activities which we feel are absolutely essential to the national security and would, if deferred to a later date or not performed at all, be detrimental to the security program. In asking the various offices of the Agency to prepare this supplemental estimate, the policy was established that only vitally necessary programs should be included, and not programs that we thought we would like to do to secure the maximum of effort towards achieving our objectives. This budget therefore represents the absolute minimum that we believe is necessary to achieve satisfactory results under present international conditions.

CONDUCTING OF THE AGENCY PROGRAM

In the remaining sessions of these hearings, we will discuss in greater detail the various activities and organizational units conducting the Agency programs. I would like to take this opportunity, however, to present a generalized picture of how we are organized to achieve our objectives. ^{TP} There must be over-all planning and coordination of the activities of the Agency and this comes under the heading that is commonly known as

25X1 Executive Direction. About [] of the Agency's
25X1 personnel and [] of the funds are required for this
phase of our operations.

25X1A Our intelligence work, which includes covert and
overt collection and production of intelligence as well
as common service activities performed in this area of
operation, []

[]
to the documentation and the maintenance of reference
services of intelligence work.

25X1A The other area of operations as indicated, covers
the cold war activities. These activities comprise
[]

Our intelligence work and cold war activities would
not be very effective if they were not adequately supported
by services common to all work programs. The first
type of support rendered to the Agency is that of
communications, which has as its prime functions the
provision of equipment facilities and trained personnel
to insure the rapid passing of information by electrical
means. You will realize that fast communications is
very material to intelligence work. The furnishing of
this service comprises approximately [] of the total
cost of the Agency's work.

25X1

A second support function involves that of training. As previously indicated, this Agency utilizes qualified personnel from all fields of activities. Although a person may be well qualified in his basic profession, there has been no prescribed academic curriculum leading to qualifications in the field of intelligence. Further, many of the skills, methods and techniques peculiar to the intelligence profession, cannot and should not, be taught outside the security of the intelligence community. Because of these two facts, Agency personnel must be trained in the principles, methods and techniques of intelligence in order that they may properly relate their attained professional skills to intelligence work. A little over of the Agency's budget 25X1 is allocated to this important function of training.

The last type of support rendered to the Agency is generally classified as the administrative support and covers the normally accepted functions of personnel, finance, procurement, supply, and other general administrative services. In addition, however, this Agency has special medical and security problems. The administrative support constitutes a little over 8% of the total. This may appear to be large compared to other governmental agencies but in view of the security aspects of our operations, we believe it is necessary.

The costs of physical security, personnel security and other security operations which are not important in most government agencies represents approximately one-third of the total administrative support in CIA. As has been discussed during the recent review of operations in most of the offices in the administrative group, many special problems involving security are encountered which results in greater cost for these activities.

I would like to emphasize that the Director and I are both acutely aware of the need for economy. The entire Agency has been instructed to reduce costs wherever security permits. I believe this budget represents real consideration of this problem. As you may recall, our original request for F/Y 54

25X1A1A totaled [] which had to be scaled down to 25X1A1A []; our original estimate for F/Y 55 totaled 25X1A1A []; through this careful reexamination we have reduced our total F/Y 55 request to []. Your 25X1A1A favorable consideration of the supplemental budget is earnestly requested in order that we may carry out what we believe to be a minimum of needed operations. I *shall* *now proceed* *the list of* *which you submitted* ~~will be glad to answer questions you may have on the~~ ~~broad policy aspects of the CIA program~~